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INR-00 LAB-01 VCE-00 M-00 AC-01 NEA-00 DCP-01  
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E.O. 12958: DECL: 1.6 (X1, X6)  
TAGS: [PARM](#) [PREL](#) [ETTC](#) [CBW](#) [CH](#) [IR](#)  
SUBJECT: S37-03: IRANIAN PROCUREMENT OF GLASS-LINED  
CHEMICAL PROCESSING EQUIPMENT FROM CHINESE FIRMS (S)

CLASSIFIED BY: NP/CBM DIRECTOR VANN VAN DIEPEN. REASON: 1.5(C AND D).

[1](#)1. (U) THIS IS AN ACTION REQUEST. PLEASE SEE PARAGRAPH 4.

[1](#)2. (S) BACKGROUND: WE WANT TO SHARE WITH CHINESE AUTHORITIES  
FURTHER INFORMATION CONCERNING IRANIAN PROCUREMENT OF  
GLASS-LINED CHEMICAL PROCESSING EQUIPMENT AND TECHNOLOGY, AS  
WELL AS BW-USEFUL JET MILLS/MICRONIZERS, FROM THE FOLLOWING  
CHINESE ENTITIES:

(1) MR. HUO SHIHONG, WHO:

- IN 2002 REPRESENTED THE CHINESE FIRM ZIBO CHEMICAL  
EQUIPMENT PLANT (ZCEP) (IN MAY 2002 ZCEP WAS SANCTIONED  
PURSUANT TO THE IRAN NONPROLIFERATION ACT)

- IN 2003 IS REPRESENTING CHINESE FIRMS:

- ZIBO CHEMET EQUIPMENT COMPANY, LTD.,

- ZIBO INTERNATIONAL ECONOMIC AND TECHNICAL COOPERATION  
CORPORATION, AND

- SOUTH INDUSTRIES SCIENCE AND TECHNOLOGY TRADING  
COMPANY, LTD.;

(2) JIANGSU YONGLI CHEMICAL AND TECHNOLOGY IMPORT AND EXPORT  
COMPANY (SANCTIONED IN MAY 1997 AND JULY 2002 PURSUANT TO THE  
CHEMICAL AND BIOLOGICAL WEAPONS CONTROL AND WARFARE  
ELIMINATION ACT, AND IN JUNE 2001 PURSUANT TO THE IRAN  
NONPROLIFERATION ACT);

(3) SUMEC ENGINEERING COMPANY, LTD.; AND

(4) TANGSHAN DACHANG CHEMICALS COMPANY, LTD.

[1](#)3. (S) HUO SHIHONG IS OF PARTICULAR NOTE BECAUSE HE IS  
ATTEMPTING TO EVADE CHINESE EXPORT CONTROLS BY PROVIDING  
MISLEADING DESCRIPTIONS OF THE EQUIPMENT FOR EXPORT TO IRAN  
AND FALSIFYING THE NAME OF THE ACTUAL IRANIAN END-USER. WE  
WANT THE CHINESE AUTHORITIES TO EXERCISE SPECIAL SCRUTINY  
OVER ALL SHIPMENTS BY THE ENTITIES PREVIOUSLY MENTIONED --  
PARTICULARLY SERIAL PROLIFERATOR HUO SHIHONG AND HIS  
AFFILIATED ENTITIES -- GIVEN THE RISK THAT THEY ARE  
CONCEALING THE TRUE NATURE OF THEIR TRANSFERS OR ASSISTANCE  
TO IRAN.

[1](#)4. (S) ACTION REQUEST: REQUEST POST IMMEDIATELY CONVEY THE  
POINTS IN PARAGRAPH 5 TO APPROPRIATE HOST GOVERNMENT  
OFFICIALS, AND REPORT RESPONSE.

[1](#)5. BEGIN TALKING POINTS/NONPAPER:

(S - REL CHINA)

-- IN THE SPIRIT OF OUR NONPROLIFERATION COOPERATION, WE WANT  
TO SHARE WITH YOU INFORMATION OF CONCERN.

-- WE HAVE INFORMATION THAT SEVERAL CHINESE ENTITIES CONTINUE TO SEEK TO PROVIDE IRAN -- AND IN AT LEAST ONE CASE THUS FAR THIS YEAR DID PROVIDE -- GLASS-LINED CHEMICAL PROCESSING EQUIPMENT AND TECHNOLOGY CONTROLLED BY CHINA'S EXPORT REGULATIONS, AS WELL AS DUAL-USE BIOLOGICAL EQUIPMENT.

-- ACCORDING TO THIS INFORMATION, AT LEAST ONE OF THESE CHINESE ENTITIES IS ATTEMPTING TO EVADE CHINESE EXPORT CONTROLS BY PROVIDING MISLEADING DESCRIPTIONS OF THE EQUIPMENT FOR EXPORT TO IRAN AND FALSIFYING THE NAME OF THE ACTUAL IRANIAN END-USER.

ZCEP

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-- IN MARCH 2002 WE SHARED INFORMATION THAT IRAN WAS SEEKING A LARGE QUANTITY OF GLASS-LINED CHEMICAL PROCESSING EQUIPMENT FROM TWO CHINESE FIRMS, ONE OF WHICH WAS ZIBO CHEMET EQUIPMENT PLANT, ALSO KNOWN AS ZIBO CHEMICAL EQUIPMENT PLANT (ZCEP).

-- ZCEP'S ADDRESS IS THE SOUTH END OF SHANQUAN ROAD, ZIBO CITY 255063, SHANDONG PROVINCE. THE COMPANY'S NAME IN PINYIN IS ZIBO SHI HUANGONG SHEBEI CHANG (STC: 3245 0590 1579 0553 1562 6080 0271 0617). ZCEP MAY BE THE TRADING NAME OF THE ZIBO BAODING CHEMICALS (GROUP) CORPORATION AT THE SAME ADDRESS.

-- IN JULY 2002, BEFORE PROMULGATION OF CHINA'S NEW CHEMICAL EXPORT CONTROLS, ZCEP PROVIDED IRAN WITH LARGE AUSTRALIA GROUP (AG)-CONTROLLED GLASS-LINED CHEMICAL REACTOR VESSELS AND ASSOCIATED COMPONENTS.

-- IN MAY 2002, ZCEP ALSO PROVIDED IRAN WITH A DUAL-USE PNEUMATIC JET MILL WHICH, ALTHOUGH NOT AG-CONTROLLED, CAN MILL PARTICLES TO LESS THAN 5 MICRONS -- AN IDEAL SIZE FOR AEROSOL DELIVERY OF BW AGENTS.

-- ZCEP WAS SANCTIONED BY THE UNITED STATES, PURSUANT TO U.S. LAW, IN MAY 2002 FOR TRANSFERS OF AG-CONTROLLED ITEMS TO IRAN.

HUO SHIHONG

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-- IN 2002, ZCEP'S PRINCIPAL REPRESENTATIVE IN TRANSACTIONS WITH IRAN WAS CHINESE NATIONAL HUO SHIHONG.

-- WE NOW HAVE INFORMATION THAT, DESPITE CHINA'S NEW EXPORT CONTROLS, HUO CONTINUES TO SEEK TO PROVIDE IRAN WITH AG- AND CHINESE EXPORT REGULATION-CONTROLLED GLASS-LINED CHEMICAL PROCESSING EQUIPMENT.

-- IN 2003, HUO APPARENTLY IS REPRESENTING THE FOLLOWING FIRMS -- ZIBO CHEMET EQUIPMENT COMPANY, LTD., ZIBO INTERNATIONAL ECONOMIC AND TECHNICAL COOPERATION CORPORATION, AND SOUTH INDUSTRIES SCIENCE AND TECHNOLOGY TRADING COMPANY, LTD.

-- ZIBO CHEMET EQUIPMENT COMPANY'S ADDRESS IS 3RD FLOOR, 137 NEW WORLD COMMERCIAL STREET, ZIBO CITY, 255000, SHANDONG PROVINCE. THE COMPANY'S NAME IN PINYIN IS ZIBO BEITE HUGONG SHEBEI YOUXIAN GONGSI (STC: 3245 0590 6292 3676 0553 1562 6080 0271 2589 7098 0361 0674).

-- ZIBO INTERNATIONAL ECONOMIC AND TECHNICAL COOPERATION CORPORATION'S ADDRESS IS 191 ZHONGXIN ROAD, ZIBO CITY, SHANDONG PROVINCE.

-- SOUTH INDUSTRIES SCIENCE AND TECHNOLOGY TRADING COMPANY, LTD. HAS TWO ADDRESSES:

- 10 CHEDAOGOU, HAIDIAN DISTRICT, BEIJING

- 38 HANGKONG BYSTREET, XICHENG, BEIJING

-- HUO IS ATTEMPTING TO DISGUISE TRANSFERS OF CONTROLLED GLASS-LINED CHEMICAL REACTOR VESSELS FROM CHINESE AUTHORITIES BY DESCRIBING THEM AS "ANTI-ACID DISTILLATION UNITS" OR "ANTI-ACID VESSEL DISTILLATION UNITS."

-- HUO HAS BEEN SUCCESSFUL ON AT LEAST ONE OCCASION SINCE CHINA'S NEW EXPORT CONTROLS WERE PROMULGATED IN TRANSFERRING CHINESE-CONTROLLED GLASS-LINED EQUIPMENT TO IRAN. IN LATE JANUARY OR EARLY FEBRUARY 2003, IRAN RECEIVED ONE 2000-LITER GLASS-LINED CHEMICAL REACTOR VESSEL AND ASSOCIATED COMPONENTS FROM HUO.

-- HUO ALSO IS SEEKING TO PROVIDE IRAN WITH OTHER DUAL-USE ASSISTANCE SUCH AS:

- CHINESE-EXPORT-CONTROLLED TECHNOLOGY TO REPAIR GLASS-LINED CHEMICAL REACTOR VESSELS WITH CAPACITIES OF 1500 LITERS TO 10,000 LITERS;

- CENTRIFUGES THAT CHINESE EXPORT REGULATIONS MAY CONTROL DEPENDING ON THEIR TECHNICAL SPECIFICATIONS; AND

- DUAL-USE JET MILLING SYSTEMS/MICRONIZERS THAT, WHILE NOT CONTROLLED, MAY BE CAPABLE OF MILLING PARTICLES TO AN APPROPRIATE SIZE FOR BW AGENT DISSEMINATION.

#### JIANGSU YONGLI

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-- WE ALSO HAVE INFORMATION CONCERNING OTHER CHINESE FIRMS THAT ARE SEEKING TO SUPPLY IRAN WITH CONTROLLED GLASS-LINED CHEMICAL PROCESSING EQUIPMENT.

-- IN FEBRUARY 2003, THE CHINESE FIRM JIANGSU YONGLI CHEMICAL AND TECHNOLOGY IMPORT AND EXPORT COMPANY -- WHICH IS A SUBSIDIARY OF THE NANJING CHEMICAL INDUSTRIAL GROUP -- SOUGHT TO PROVIDE IRAN WITH CHINESE-CONTROLLED DUAL-USE CHEMICAL PRODUCTION EQUIPMENT INCLUDING 5000-LITER GLASS-LINED REACTOR VESSELS AND 500-LITER GLASS-LINED RECEIVERS.

-- ON THREE SEPARATE OCCASIONS (1997, 2001, AND 2002), THE U.S. IMPOSED SANCTIONS, PURSUANT TO U.S. LAW, ON JIANGSU YONGLI FOR ITS KNOWING AND MATERIAL CONTRIBUTIONS TO CBW PROGRAMS AND ITS TRANSFER OF AG-CONTROLLED ITEMS TO IRAN.

#### SUMEC, TANGSHAN DACHANG CHEMICALS

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-- IN JANUARY 2003, THE CHINESE FIRM SUMEC ENGINEERING COMPANY, LTD., NANJING, AGREED TO SUPPLY GLASS-LINED AND OTHER CHEMICAL REACTOR SPARE PARTS FOR A TURNKEY POLYALUMINUM CHLORIDE PRODUCTION LINE IT HAD PROVIDED TO IRAN.

-- IRAN ALSO WAS SEEKING A GLASS-LINED CHEMICAL REACTOR VESSEL -- PROBABLY WITH A CAPACITY OF 5000 LITERS AND THUS CONTROLLED BY CHINESE EXPORT REGULATIONS -- FROM SUMEC AND ANOTHER CHINESE FIRM, TANGSHAN DACHANG CHEMICALS COMPANY, LTD. (ADDRESS: 116 XINHUA WEST ROAD, TANGSHANG CITY, HEBEI PROVINCE). IRAN ALSO SOUGHT SPARE PARTS FOR THE GLASS-LINED REACTOR, INCLUDING A REACTOR AGITATOR BLADE, FROM TANGSHAN DACHANG CHEMICALS COMPANY.

#### CONCLUSION

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-- SPECIAL SCRUTINY OF ALL SHIPMENTS BY THE ENTITIES PREVIOUSLY MENTIONED -- PARTICULARLY SERIAL PROLIFERATOR HUO SHIHONG AND HIS AFFILIATED ENTITIES -- IS MERITED GIVEN THE RISK THAT THEY ARE CONCEALING THE TRUE NATURE OF THEIR TRANSFERS OR ASSISTANCE TO IRAN.

-- WE HOPE THIS INFORMATION IS OF ASSISTANCE IN IMPLEMENTING AND ENFORCING YOUR EXPORT CONTROLS, INCLUDING THROUGH THE USE OF CATCH-ALL EXPORT CONTROL AUTHORITY.

-- WE WOULD WELCOME ANY INFORMATION YOU CAN SHARE ON THESE MATTERS.

END TALKING POINTS/NONPAPER.

16. (U) PLEASE BEGIN RESPONSES WITH S37-03 AND SLUG FOR NP/CBM, EAP/CM, NEA/NGA, AND INR/SPM.  
POWELL